



CITY OF ATLANTA

SHIRLEY FRANKLIN
MAYOR

55 TRINITY AVE, S.W.
ATLANTA, GEORGIA 30335-0300
TEL (404) 330-6100

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The Honorable Lisa Borders
Members of City Council
Atlanta City Council
55 Trinity Avenue, S.W.
Atlanta, Ga. 30303

Dear President Borders and Members of City Council:

I am pleased to forward to you our FY2010 Proposed Budget for the City of Atlanta. This is the eighth and final budget that my administration will submit for your consideration. When I entered this office almost eight years ago, I offered five major goals for my administration:

- To restore confidence in the ethics and integrity of City government
- To make the City safer
- To rebuild the City's infrastructure
- To make the City more efficient and effective
- To improve the City's financial stability

This was an ambitious set of goals, but we have made strides in achieving them:

- By passing the toughest ethics ordinance in the State, creating a Board of Ethics with a full-time Ethics Officer, establishing an ethics hotline, and aggressively investigating all ethics complaints to the full extent of the law, we have set a course to restore public confidence in our government, without which we can achieve nothing.
- By increasing the sworn police staff by 20%, investing over \$200 million in new public safety facilities, equipment, and technology, and achieving national accreditation for both the Atlanta Police Department and Atlanta Fire Rescue, we are a safer City by any measure.
- By identifying innovative financial strategies and applying prudent project management, we have successfully launched an aggressive program to rebuild our water and wastewater infrastructure, expanded and upgraded Hartsfield-Jackson Atlanta International Airport and invested over \$250 million in greenspace acquisition and general public infrastructure.
- Through extensive business process reform efforts we have reorganized every department of government, outsourced a variety of services, generated over \$100 million in annual operating savings, reduced general fund personnel and improved the City's efficiency.

Perhaps our biggest challenge has been to restore financial stability to the City. When we arrived, we faced a General Fund deficit of over \$80 million. Through hard work on both the revenue and expense side of

our budget, we have managed to live within our means. However, rising pension and medical costs – combined with an historic downturn in our economy – have once again placed the City in a challenging financial position that has further highlighted several core financial obstacles that we face:

- While we have made significant investments in systems necessary to manage our finances, we have just begun the hard work of transforming our Department of Finance. The new business processes recommended by Deloitte Consulting need to be fully implemented.
- Despite population growth of nearly 25% and a relatively healthy economy over the past seven years, our general fund revenues have actually declined in real terms. The City's revenue base is inadequate to support its growth.
- Changes in our pension benefit plans – combined with new requirements to more accurately reflect long-term pension and health care obligations in our financial statements - have increased our pension costs by nearly \$60 million per year, and now equate to 20% of our total budget.
- Despite our investments in water, airport and other public infrastructure, an imbalance remains between the resources the City dedicates to operations and that which it dedicates to public infrastructure. The City needs to replace its current infrastructure at a more frequent interval and invest in new infrastructure to respond to and encourage future growth.

The challenge for the City over the next several years is to address these strategic challenges. The City must contain costs; the City must increase its revenues at a rate consistent with its growth; the City must reduce the burden of its pension obligations, and; the City must invest in its public infrastructure if it is going to continue to prosper.

The FY2010 Budget

Our General Fund budget request for FY2010 is \$541 million which represents a \$32 million reduction from the authorized budget for FY2009. The general fund workforce will be reduced from the 4,686 positions authorized in FY2009 to 3,934 for FY2010, a reduction of 752 or over 16% of the workforce.

This request accomplishes several critical goals:

- Eliminates the furlough that was imposed in FY2009 as a cost savings measure
- Implements several costs savings initiatives that generates \$60 million in savings
- Creates a real cash reserve of \$27 million

To achieve this level of reduction, several additional cost-saving measures are included in our proposal:

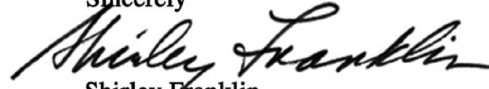
- A re-amortization of the City's pensions funds
- Use of public safety related stimulus funding
- Continuation of non-personnel cuts made in FY2009
- Various business process improvements in the Department of Corrections
- Assorted reductions in other operating and support departments
- Outsourcing of tennis center operations

We conservatively project revenues next year – under current policies - of \$485 million. This revenue estimate assumes a five percent reduction in property tax revenues, continued declines in sales tax and other revenues related to business and tourism activity, and a 25% decline in revenues associated with real estate and construction activity. It also includes approximately \$12.5 million from new revenue generating activity including the outsourcing of parking enforcement, targeted traffic law enforcement, false alarm citations, and increases in a variety of fees for services delivered across several departments. Legislation authorizing all fee increases is included in the legislative package accompanying this budget.

We are requesting a budget of \$541 million and our forecasted revenues are only \$485 million. Since we have exhausted sources of cost savings outside of public safety - and we do not think it is prudent to reduce our public safety agencies at this point - we are requesting an increase in the property tax millage rate of 3 mills. This request is based on several factors:

- Millage rates are at an historic low and are typically raised during recessions (millage rates were raised in response to the 1991 and 2000 recessions)
- As a consequence of our practice of rolling back property tax rates, our property tax revenues have actually declined since 2002 (from \$140 million in 2002 to \$137 million in 2008)
- In the absence of a millage rate increase, we will be unable to eliminate the furloughs, 75% of which is dedicated to public safety personnel.

These are difficult economic times for all Americans. But even during these difficult times, we share the responsibility to maintain public safety and basic City services. As Mayor of Atlanta for seven years – and during a decade of prior public management experience – I am proud to have worked with the City Council on a wide variety of critical issues. This proposed budget represents my administration's best thinking on how to continue to make smart investments in core municipal services with special emphasis on public safety. I invite your comments and look forward to working with you as we face these important challenges.

Sincerely

Shirley Franklin